

**SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY**

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2012 AND 2011

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS:	
Balance Sheets	4
Statements of Support, Revenues, Expenses and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	8
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	16
Schedules of Transit Agency Support, Revenues and Expenses	17
Schedules of Planning Council Support, Revenues and Expenses	18
COMMENTS AND RECOMMENDATIONS:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	19
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	21
Schedule of Findings and Questioned Costs	23

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Officials
June 30, 2012

Member

Representing

Frank Waters, **Vice-Chairperson**
Dave Jones

Cass County
Cass County

Cara Morgan
Brian Kingsolver

Fremont County
Fremont County

Gaylord Pitt
Sherman Struble, **Secretary**

Harrison County
Harrison County

Richard Crouch

Mills County

Donna Robinson
Brad Wright

Montgomery County
Montgomery County

Jim Richardson
Byron Harris

Page County
Page County

Lynn Grobe, **Chairperson**

Pottawattamie County

Terry Arentson
James Burmeister, **Treasurer**

Shelby County
Shelby County

Mike Kolbe
Dorothy Duran
Clint Fichter

Economic Development
Education
Government

Executive Director

Eric Weinkoetz (resigned October, 2012)

Finance Director

Crystal Cappel

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency
Atlantic, Iowa

We have audited the accompanying balance sheets of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, as of June 30, 2012 and 2011, and the related statements of support, revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, as of June 30, 2012 and 2011, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Organization has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2012 on our consideration of Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, basic financial statements. The supplementary information on pages 1 and 16 through 18, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Donewold, Bell, Hyman & Co. P.C.

Atlantic, Iowa
October 16, 2012

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Balance Sheets
June 30,

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash	\$ 606,411	\$ 1,055,016
Accounts receivable	864,202	574,232
Prepaid expenses	<u>196,664</u>	<u>217,883</u>
Total current assets	1,667,277	1,847,131
Designated and Restricted Assets:		
Internally designated assets	458,993	457,287
Restricted assets	<u>434,000</u>	<u>314,000</u>
	892,993	771,287
Capital Assets:		
Depreciable capital assets, net	1,879,653	1,975,852
Non-depreciable capital assets	<u>54,975</u>	<u>54,975</u>
	<u>1,934,628</u>	<u>2,030,827</u>
Total assets	<u>\$ 4,494,898</u>	<u>\$ 4,649,245</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 88,561	\$ 143,746
Note payable	--	83,162
Accrued employee compensation	67,803	89,763
Deferred grant revenue	<u>35,863</u>	<u>53,748</u>
Total current liabilities	192,227	370,419
Net Assets:		
Invested in capital assets, net of related debt	1,934,628	2,030,827
Restricted	434,000	314,000
Unrestricted	<u>1,934,043</u>	<u>1,933,999</u>
Total net assets	<u>4,302,671</u>	<u>4,278,826</u>
Total liabilities and net assets	<u>\$ 4,494,898</u>	<u>\$ 4,649,245</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Support, Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Public Support and Revenues:		
Public support	\$ 2,790,553	\$ 2,435,870
Revenues	<u>622,757</u>	<u>933,622</u>
	3,413,310	3,369,492
Expenses:		
Salaries	1,511,814	1,374,521
Bad debts	245	415
Depreciation	449,608	497,446
Employee benefits	280,211	213,753
Grant administration	63,506	72,544
HLSEM expense	98,121	95,285
Insurance	231,977	218,409
Interest expense	3,035	3,535
Lubricants and fuel	539,346	419,981
Payroll taxes	131,552	107,989
Postage	1,920	2,525
Purchased transportation	103,502	109,523
Repairs and maintenance	116,036	113,117
Space costs	42,321	38,166
Transit operations	<u>101,124</u>	<u>110,723</u>
	3,674,318	3,377,932
Loss from Operations	(261,008)	(8,440)
Non-Operating Revenue:		
Interest income	283	979
Capital grants	278,336	481,712
Gain on sale of assets	<u>6,234</u>	<u>--</u>
	284,853	482,691
Excess of Support and Revenues Over Expenses and Increase in Net Assets	23,845	474,251
Net Assets Beginning of Year	<u>4,278,826</u>	<u>3,804,575</u>
Net Assets End of Year	<u>\$ 4,302,671</u>	<u>\$ 4,278,826</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Cash Flows
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers and agencies	\$ 3,105,210	\$ 3,629,233
Cash paid to suppliers	(1,743,582)	(1,989,065)
Cash paid to employees	(1,533,774)	(1,376,983)
Net cash provided by (used in) operating activities	(172,146)	263,185
Cash flows from noncapital related financing activities:		
Proceeds from note payable	263,348	702,768
Principal paid on note payable	(346,510)	(723,600)
Interest paid	(3,035)	(3,535)
Net cash used in noncapital related financing activities	(86,197)	(24,367)
Cash flows from capital and related financing activities:		
Capital expenditures	(354,675)	(711,020)
Proceeds from capital grants	278,336	481,712
Proceeds from sale of assets	7,500	--
Construction in progress expenditures	--	(4,840)
Net cash used in capital and related financing activities	(68,839)	(234,148)
Cash flows from investing activities:		
Change in designated and restricted assets	(43,177)	(228,952)
Interest received	283	979
Net cash used in investing activities	(42,894)	(227,973)
Net decrease in cash	(370,076)	(223,303)
Cash at beginning of year	<u>1,533,615</u>	<u>1,756,918</u>
Cash at end of year	<u>\$ 1,163,539</u>	<u>\$ 1,533,615</u>
Reconciliation of cash to the balance sheets:		
Cash in current assets	\$ 606,411	\$ 1,055,016
Cash in designated and restricted assets	<u>557,128</u>	<u>478,599</u>
Total cash at end of year	<u>\$ 1,163,539</u>	<u>\$ 1,533,615</u>

(continued next page)

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$(261,008)	\$(8,440)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	449,608	497,446
Bad debts	245	415
Interest expense	3,035	3,535
Change in assets and liabilities		
Accounts receivable	(290,215)	319,983
Prepaid expenses	21,219	(194,638)
Accounts payable, trade	(55,185)	(292,412)
Accrued employee compensation	(21,960)	(2,462)
Deferred grant revenue	(17,885)	(60,242)
Total adjustments	<u>88,862</u>	<u>271,625</u>
Net cash provided by (used in) operating activities	<u><u>\$(172,146)</u></u>	<u><u>\$ 263,185</u></u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2012 and 2011

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Reporting Entity

Southwest Iowa Planning Council is a voluntary organization formed by the representatives of Harrison, Shelby, Cass, Fremont, Pottawattamie, Mills, Montgomery and Page counties in accordance with Chapter 28E of the Code of Iowa. The purpose of the Organization is to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplications, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area. The Organization is governed by a seventeen member council appointed for one year terms. Southwest Iowa Transit Agency was formed to administer the transit services for District 13. The Transit Agency is not a separate and distinct entity from the Planning Council. As a combined group of political subdivisions, the Organization is exempt from income taxes.

The Organization has considered all potential component units for which it is financially accountable, and other entities for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an entity's governing body, and (a) the Organization's ability to impose its will on that entity, or (b) the potential for the entity to provide benefits to or impose financial burdens on the Organization. The Organization has no component units.

2. Enterprise Fund Accounting

The Organization uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Organization has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2012 and 2011

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

4. Accounts Receivable and Loans Receivable

The Organization considers accounts receivable and loans receivable (included in restricted assets on the balance sheets) to be fully collectible, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

5. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

6. Capital Assets

The Organization's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of four years and cost in excess of \$2,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (ten to forty years for buildings and land improvements and five to ten years for equipment). Capital assets and depreciation expense were not recorded by the Organization prior to 1985.

7. Compensated Absences

Full-time employees of the Organization earn paid time off hours at varying rates depending on years of service, up to a maximum of 144 hours per year. Paid time off up to a maximum of 80 hours may be carried over to the subsequent calendar year. Any excess over 80 hours accumulated by January 1 of each year is lost. The computed amount of paid time off earned by year end is recorded as part of accrued employee compensation.

8. Grant Revenue

Grant proceeds for operating activities are recorded in income as they are earned and are reported as a part of transit and planning council support and revenues. Capital grants are recorded as non-operating revenue. Grant proceeds received but not expended are shown as a deferred revenue on the balance sheet.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2012 and 2011

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

9. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

10. Net Assets

Net assets of the Organization are classified in three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* are noncapital net assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Organization. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

NOTE B - RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purpose:

	<u>2012</u>	<u>2011</u>
Revolving loan fund	\$ <u>434,000</u>	\$ <u>314,000</u>

The Organization has no restricted nonexpendable net assets or endowments at June 30, 2012 or 2011.

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	<u>2012</u>	<u>2011</u>
Purchase of capital assets	\$ <u>278,336</u>	\$ <u>481,712</u>

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2012 and 2011

NOTE C - DESIGNATED NET ASSETS

Of the \$1,934,043 (\$1,933,999 as of June 30, 2011) of unrestricted net assets as of June 30, 2012, \$458,993 (\$457,287 for 2011) has been designated by the Organization's Policy Council for capital acquisitions. These assets remain under the control of the Policy Council, which may, at its discretion, later use the funds for other purposes.

NOTE D - DEPOSITS

The Organization's deposits at June 30, 2012 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Organization is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Policy Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of internally designated assets, which consists entirely of cash, is as follows:

	<u>2012</u>	<u>2011</u>
Internally Designated Assets:		
SWIPCO:		
Vehicle	\$ 53,713	\$ 66,155
SWITA:		
Vehicle replacement	<u>405,280</u>	<u>391,132</u>
	<u>\$ 458,993</u>	<u>\$ 457,287</u>

The composition of restricted assets is as follows:

	<u>2012</u>	<u>2011</u>
Restricted Assets:		
Cash	\$ 98,135	\$ 21,312
Loans receivable	<u>335,865</u>	<u>292,688</u>
	<u>\$ 434,000</u>	<u>\$ 314,000</u>

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2012 and 2011

NOTE E - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2012 and 2011 were as follows:

<u>Cost</u>	<u>Balance 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2012</u>
Land Improvements	\$ 169,146	\$ --	\$ --	\$ 169,146
Buildings	1,076,506	--	--	1,076,506
Equipment	472,063	28,110	103,559	396,614
Vehicles	<u>2,916,702</u>	<u>326,565</u>	<u>55,560</u>	<u>3,187,707</u>
	4,634,417	354,675	159,119	4,829,973
<u>Depreciation</u>				
Land Improvements	68,087	20,002	--	88,089
Buildings	122,670	27,145	--	149,815
Equipment	386,718	30,330	103,559	313,489
Vehicles	<u>2,081,090</u>	<u>372,131</u>	<u>54,294</u>	<u>2,398,927</u>
Total Depreciation	<u>2,658,565</u>	<u>449,608</u>	<u>157,853</u>	<u>2,950,320</u>
Depreciable Capital Assets, Net	<u>\$ 1,975,852</u>	<u>\$ (94,933)</u>	<u>\$ 1,266</u>	<u>\$ 1,879,653</u>
Non-Depreciable Capital Assets: Land	<u>\$ 54,975</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 54,975</u>

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2012 and 2011

NOTE E - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2011</u>
Land Improvements	\$ 169,146	\$ --	\$ --	\$ 169,146
Buildings	429,874	646,632	--	1,076,506
Equipment	433,580	38,483	--	472,063
Vehicles	2,915,402	1,300	--	2,916,702
	<u>3,948,002</u>	<u>686,415</u>	<u>--</u>	<u>4,634,417</u>
<u>Depreciation</u>				
Land Improvements	48,084	20,003	--	68,087
Buildings	110,343	12,327	--	122,670
Equipment	336,738	49,980	--	386,718
Vehicles	<u>1,665,954</u>	<u>415,136</u>	<u>--</u>	<u>2,081,090</u>
Total Depreciation	<u>2,161,119</u>	<u>497,446</u>	<u>--</u>	<u>2,658,565</u>
Depreciable Capital Assets, Net	<u>\$ 1,786,883</u>	<u>\$ 188,969</u>	<u>\$ --</u>	<u>\$ 1,975,852</u>
Non-Depreciable Capital Assets:				
Land	\$ 54,975	\$ --	\$ --	\$ 54,975
Construction in progress	<u>4,840</u>	<u>--</u>	<u>4,840</u>	<u>--</u>
	<u>\$ 59,815</u>	<u>\$ --</u>	<u>\$ 4,840</u>	<u>\$ 54,975</u>

NOTE F - NOTE PAYABLE

The Organization entered into an unsecured revolving note with a local bank for operating funding, that matured on January 1, 2012. The maximum amount available through January 1, 2012 was \$500,000. The note called for periodic payments with interest at 4.0%.

A schedule of changes in the Organization's note payable for the year ended June 30, 2012 and 2011 follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2012</u>
Line of Credit	<u>\$ 83,162</u>	<u>\$ 263,348</u>	<u>\$ 346,510</u>	<u>\$ --</u>
	<u>Balance 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2011</u>
Line of Credit	<u>\$ 103,994</u>	<u>\$ 702,768</u>	<u>\$ 723,600</u>	<u>\$ 83,162</u>

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2012 and 2011

NOTE G - PENSION AND RETIREMENT BENEFITS

The Organization contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% (5.78% beginning July 1, 2012) of their annual salary and the Organization is required to contribute 8.07% (8.67% beginning July 1, 2012) of annual covered payroll. Contribution requirements are established by State statute. The Organization's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were approximately \$125,300, \$95,200, and \$89,800, respectively, equal to the required contributions for each year.

NOTE H - COMMITMENTS AND CONTINGENCIES

Other Post Employment Benefits (OPEB)

Plan Description: As required by state law, the Organization offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Organization employees, and the retirees must pay a health insurance premium equal to that charged for current employees. There are 16 active employees and no retirees currently covered by the plan.

Potential for Liability: A review of the Organization's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists. Therefore no liability has been recorded.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

Subsequent Events

The Organization has evaluated all subsequent events through October 16, 2012, the date the financial statements were available to be issued.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2012 and 2011

NOTE I- ECONOMIC DEPENDENCY

The Organization received approximately 28% of its total support and revenue through its contract with the Iowa and Federal Departments of Transportation for the year ended June 30, 2012 (27% for 2011). The Organization's contract with the Iowa Department of Transportation has been renewed with a 5% decrease for fiscal year ending June 30, 2012. The Organization's contract with the Federal Department of Transportation has been renewed with a 1% decrease for fiscal year ending June 30, 2012.

NOTE J - CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its clients, most of whom are area businesses and local governments. The mix of receivables at June 30, 2012 and 2011, was as follows:

	<u>2012</u>	<u>2011</u>
Local governments	87%	87%
Area businesses	12	13
Individuals	<u>1</u>	<u>--</u>
	<u>100%</u>	<u>100%</u>

NOTE K - BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are not reported as Required Supplementary Information. As there is no legal requirement to adopt a budget, GASB 34 does not require this disclosure.

* * *

SUPPLEMENTARY INFORMATION

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant or Number</u>
U.S. Department of Commerce		
Direct Programs		
Support for Planning Organizations	11.302	05-83-04987
Economic Adjustment Grant to Establish a Revolving Loan Fund	11.307	05-79-04727
Total U.S. Department of Commerce		
U.S. Department of Transportation		
Indirect Programs		
Iowa Department of Transportation		
SFY 2012 Transportation Planning Work Program	20.205	12RPA-13
Capital Investment Assistance Project	20.500	04-0113-130-10
Capital Investment Assistance Project	20.500	04-0117-130-11
Non-Urban Operating Assistance Project	20.509	18-0030-130-12
ARRA Non-Urbanized Capital Assistance Project	20.509	86-0001-130-09
SFY 2012 Transportation Planning Work Program	20.509	12RPA-13
Training Fellowship	20.509	TF-12-099
Training Fellowship	20.509	TF-12-141
Training Fellowship	20.509	TF-12-146
Job Access/Reverse Commute Project	20.516	37-X016-130-12
New Freedom Operating Assistance Project	20.521	57-X008-130-11
New Freedom Operating Assistance Project	20.521	57-X008-130-12
Total U.S. Department of Transportation		
U.S. Department of Homeland Security & Emergency Management		
Indirect Program		
Iowa Department of Homeland Security & Emergency Management		
Homeland Security Grant Program	97.039	DR 1688-0026-00
Homeland Security Grant Program	97.067	2009 SS-T9-0034-04
Total U.S. Department of Homeland Security & Emergency Management		

Total Expenditures of Federal Awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See accompanying independent auditor's report.

<u>Period of Grant</u>	<u>Federal Expenditures</u>
07/01/11 to 06/30/12	\$ 85,000
01/21/09 to 09/30/14	<u>96,000</u>
	181,000
07/01/11 to 06/30/12	28,471
05/01/09 to 09/30/11	9,415
10/01/10 to 03/31/13	<u>208,071</u>
	217,486
07/01/11 to 06/30/12	567,491
03/10/09 to 09/30/11	60,850
07/01/11 to 06/30/12	40,171
07/01/11 to 06/30/12	320
07/01/11 to 06/30/12	207
07/01/11 to 06/30/12	<u>864</u>
	669,903
10/01/11 to 09/30/12	6,998
07/01/10 to 09/30/11	1,557
10/01/11 to 09/30/12	<u>11,173</u>
	<u>12,730</u>
	935,588
02/07/08 to 02/28/12	9,881
04/30/10 to 04/30/12	<u>92,629</u>
	<u>102,510</u>
	<u>\$ 1,219,098</u>

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedules of Transit Agency Support, Revenues and Expenses
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Public Support and Revenues:		
Public support:		
Iowa Department of Transportation	\$ 360,971	\$ 343,509
Other state assistance	1,313,082	840,106
Federal Department of Transportation	588,610	574,942
Local assistance	<u>76,000</u>	<u>79,000</u>
	<u>2,338,663</u>	<u>1,837,557</u>
Revenues:		
Fares	218,361	468,957
Other	<u>35,017</u>	<u>29,805</u>
	<u>253,378</u>	<u>498,762</u>
Total public support and revenues	2,592,041	2,336,319
Expenses:		
Salaries	1,155,073	1,008,240
Bad debts	245	415
Depreciation	440,629	488,284
Employee benefits	181,180	126,095
Insurance	222,908	213,180
Lubricants and fuel	539,346	419,981
Payroll taxes	102,012	80,515
Purchased transportation	103,502	109,523
Repairs and maintenance	116,036	113,117
Space costs	32,436	26,969
Transit operations	<u>101,124</u>	<u>110,723</u>
	<u>2,994,491</u>	<u>2,697,042</u>
Loss from Operations	(402,450)	(360,723)
Non-Operating Revenue:		
Interest income	242	824
Capital grants	278,336	481,712
Gain on sale of assets	<u>6,234</u>	<u>--</u>
	<u>284,812</u>	<u>482,536</u>
Excess of Support and Revenues Over Expenses (Expenses Over Support and Revenues)	<u><u>\$ (117,638)</u></u>	<u><u>\$ 121,813</u></u>

See accompanying independent auditor's report.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedules of Planning Council Support, Revenues and Expenses
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Public Support and Revenues:		
Public support:		
Federal Department of Transportation	\$ 68,642	\$ 66,814
Federal Department of Commerce	181,000	262,291
Federal Department of Labor	--	30,770
State Department of Economic Development	34,294	52,294
HLSEM Grant	92,629	111,052
City and county dues	<u>75,325</u>	<u>75,092</u>
	<u>451,890</u>	<u>598,313</u>
Revenues:		
Grant administration	169,686	250,473
Contracts	199,268	184,092
Other	<u>425</u>	<u>295</u>
	<u>369,379</u>	<u>434,860</u>
Total public support and revenues	821,269	1,033,173
Expenses:		
Salaries	356,741	366,281
Depreciation	8,979	9,162
Employee benefits	99,031	87,658
Grant administration	63,506	72,544
HLSEM expense	98,121	95,285
Insurance	9,069	5,229
Interest expense	3,035	3,535
Payroll taxes	29,540	27,474
Postage	1,920	2,525
Space costs	<u>9,885</u>	<u>11,197</u>
	<u>679,827</u>	<u>680,890</u>
Income from Operations	141,442	352,283
Non-Operating Revenue:		
Interest income	<u>41</u>	<u>155</u>
Excess of Support and Revenues Over Expenses	<u>\$ 141,483</u>	<u>\$ 352,438</u>

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

We have audited the financial statements of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 12-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the Organization's responses, we did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, and other parties to whom the Organization may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Donenord, Bell, Hyler & W. P.C.

Atlantic, Iowa
October 16, 2012

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

Compliance

We have audited the compliance of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2012. Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, management. Our responsibility is to express an opinion on Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, compliance with those requirements.

In our opinion, Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2012.

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

Internal Control Over Compliance

The management of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the Organization's internal control over compliance that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the Organization's internal control over compliance exists when the design or operation of a control over that compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 12-III-A to be a significant deficiency.

Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusion on the Organization's response, we did not audit Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, and other parties to whom the Organization may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Donna M. Bell, CPA + W. P. C.

Atlantic, Iowa
October 16, 2012

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was:
 - Department of Transportation - Formula Grants for Other Than Urbanized Areas
 - CFDA Number 20.509
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, qualified as a low-risk auditee.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2012.

SIGNIFICANT DEFICIENCIES:

12-II-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Organization. This deficiency is common among most smaller organizations.

Recommendation: We recognize that it may not be economically feasible for the Organization to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Council is aware of this lack of segregation of duties and will continue on an ongoing basis to act as an oversight group. The Organization has also made some changes in its procedures to separate the preparation of bank reconciliations, cash receipt and cash depositing/general ledger posting functions to provide a better segregation of duties. The Council has also added steps to its cash disbursements procedures to provide more accountability in the bill approval process.

Conclusion: Response accepted.

* * *

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2012.

SIGNIFICANT DEFICIENCIES:

CFDA Number 20.509 - Formula Grants for Other Than Urbanized Areas
Pass-through Numbers: 12 RPA-13, 18-0030-130-12, 86-0001-130-09, TF-12-099, TF-12-141,
TF-12-146

Federal Award Year: 2012
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

12-III-A Segregation of Duties over Federal Revenues and Expenditures - The Organization did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding 12-II-A.

* * *

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- 12-IV-A Questionable Expenditures - During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Big Grove Villages	Employee recognition banquet	\$ 420

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

- 12-IV-B Travel Expense - No expenditures of Organization money for travel expenses of spouses of Organization officials or employees were noted.
- 12-IV-C Business Transactions - No business transactions between the Organization and Organization officials or employees were noted.
- 12-IV-D Bond Coverage - Surety bond coverage of Organization officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 12-IV-E Board Minutes - No transactions requiring Board approval were noted which had not been approved.
- 12-IV-F Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Organization's investment policy were noted.

* * *